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(English translation for reference purposes only)

EARNINGS REPORT FOR FIRST TWO QUARTERS OF FISCAL 2019

(April 1 to September 30, 2019)

(consolidated under Japanese GAAP)

Name of Company: **Ichiyoshi Securities Co., Ltd.**

Listed on: Tokyo Stock Exchange (1st Section) (Stock code: 8624)

Corporate representative: Mr. Minoru Kobayashi, President & Representative Executive Officer

Inquiry to: Mr. Shoichi Yamazaki, Operating Officer in charge of Finance and Planning

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Date of filing First Two Quarters Report: November 13, 2019 (scheduled)

Payment date for semiannual dividends: November 26, 2019 (scheduled)

Preparation of supplementary documents for quarterly earnings: Provided.

Quarterly earnings-reporting meeting: Planned for institutional investors and analysts.

(Figures less than one million yen are rounded down)

1. Outline of Consolidated Business Result for First Two Quarters of Fiscal 2019 (from April 1 to September 30, 2019)

(1) Highlights of consolidated business result (in millions of yen, except per-share figures) (% indicates a change over the year-earlier period)

	Operating Revenue	(%)	Net operating Revenue	(%)	Operating Income	(%)	Current Income	(%)
First two quarters ended Sep. 30, 2019	9,439	(-18.5)	8,616	(-20.8)	-384	---	-401	---
First two quarters ended Sep. 30, 2018	11,582	(- 6.6)	10,886	(- 6.9)	1,836	(-38.6)	1,986	(-34.6)

	Net income attributable to owners of parent	(%)	Net income per share	Net income per share- fully diluted
First two quarters ended Sep. 30, 2019	-479	---	-11.56 yen	---
First two quarters ended Sep. 30, 2018	1,317	(-35.2)	30.82yen	30.75yen

Notes: Comprehensive income for the first two quarters of fiscal 2019: -484 million yen (---)

Comprehensive income for the first two quarters of fiscal 2018: 1,255 million yen (-43.2%)

(2) Consolidated financial condition (in millions of yen)

	Total assets	Net assets	Equity ratio
As of Sep. 30, 2019	52,576	33,118	62.8%
As of March 31, 2019	48,544	34,718	71.2%

Notes: Shareholders' equity as of Sep. 30, 2019: 32,991 million yen

Shareholders' equity as of Mar. 31, 2019: 34,586 million yen

2. Dividends

	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual total
Fiscal 2018 ended Mar. 31, 2019	---	17.00yen	---	17.00yen	34.00yen
Fiscal 2019 ending Mar. 31, 2020	---	16.00yen	---	****	****

Notes: (i) **Ichiyoshi Securities Co., Ltd. (the “Company”)** declares dividends payable to shareholders of record as of September 30 (semiannual dividends) and March 31 (final dividends) of each fiscal year.
(ii) It is not the Company’s practice to give an earnings or dividend forecast. Hence, ****.

3. Information Deemed Useful for Investors to Grasp Outlook for Business Result for Fiscal 2019 (from April 1, 2019 to March 31, 2020)

Since the forecast of earnings of financial-instruments trading, the main-line business of the Company and its group companies, is hard to make due to volatile factors in the market, the Company does not provide such forecast prior to the end of each quarter. Instead, the Company intends to release preliminary figures after the end of each quarter as and when such figures become available.

Points to note:

- (1) Changes in material subsidiaries (including a change in scope of consolidation): None.
- (2) Application of an accounting treatment unique to the preparation of quarterly financial statements: None.
- (3) Changes in accounting policies and estimates and restatement of modifications:
 - (i) Changes in accounting policies resulting from revisions to accounting standards: None.
 - (ii) Changes other than those in (i): None.
 - (iii) Changes in accounting estimates: None.
 - (iv) Restatement of modifications: None.
- (4) Number of shares issued (common stock):
 - (i) Number of shares issued as of September 30, 2019: 42,431,386 shares (including treasury shares)
Number of shares issued as of March 31, 2019: 44,431,386 shares (including treasury shares)
 - (ii) Number of treasury shares as of September 30, 2019: 1,135,966 shares.
Number of treasury shares as of March 31, 2019: 2,635,963 shares.
 - (iii) Average number of shares outstanding during the first two quarters of fiscal 2019:
41,464,492 shares.
Average number of shares outstanding during the first two quarters of fiscal 2018:
42,757,332 shares.

Additional points to note:

1. Quarterly earnings figures included in this report are not subject to reviewing by certified public accountants.
2. For the same reason that the Company does not provide an earnings forecast prior to the end of each quarter as stated in **“3. Information Deemed Useful for Investors to Grasp Outlook for Business Result for Fiscal 2019 (from April 1, 2019 to March 31, 2020)”** on page 2, the Company does not provide a dividend forecast.

I. Outline on Business Operations

(1) Outline on Business Operations for First Two Quarters of Fiscal 2019

During the first two quarters of fiscal 2019, the Japanese economy stayed firm amid mildly-increasing equipment investments and continuous recovery of consumer spending on the back of improving employment/income environments while corporate production and export activities remained somewhat weak. While there were some concerns over the effect of the U.S.-China trade friction, easing monetary policies of major countries underpinned the growth of the global economy.

In the meantime, the Japanese stock market rode on the expected progress of the U.S.-China trade talks and improvement on Chinese economic indices, with the Nikkei Stock Average recording 22,362yen on April 24, a new year high. Thereafter, however, the yen strengthened due to investors' behavior to avert risk related to the worsening of the U.S.-China relations and U.S. embargo on the Chinese major communication equipment maker, resulting in the fall of the Nikkei Stock Average. In June, the market rebounded on hopes for the U.S-China talks held at the end of the month, but in July, the market remained somewhat directionless towards the end-of month meeting of the FOMC. In August, the U.S. announced the 4th round of additional duties on Chinese goods and yields on 10-year U.S. treasury bonds temporarily went below those on 2-year U.S. treasury notes (a reverse-yield gap phenomenon). These developments led to rising fears of U.S. economic slowdown and sent the Japanese market exploring its bottom. As a result, the trading volumes of the First Section of the Tokyo Stock Exchange (the TSE) remained below 2 trillion yen for 12 consecutive trading days through August 29, the longest consecutive days in 2 years and 10 months. Amid expectations for further monetary easing by U.S. and European central banks and report of re-opening of U.S.-China ministerial-level talks on trade to be held in October, the Nikkei Stock Average registered 10 consecutive days of rises through September 17, temporarily recovering the 22,000 yen milestone for the first time in 4 months. The September meeting of the FOMC effected the rate cut for the second consecutive time and left open the possibility of a further cut. The Nikkei Stock Average ended the term at 21,755yen.

On the foreign currency market, the yen weakened to 112yen per 1 U.S dollar on April 24 in tandem with rising stock prices, but thereafter moved firmer under various developments, such as the outlook for longer-continuing U.S.-China conflict and the occurrence of the reverse-yield gap in the U.S. market (both of which caused a risk-averse buying of the yen) and strengthened temporarily to 104yen per 1 U.S. dollar. The yen closed the term at 108yen per 1 U.S. dollar.

As for the Japanese emerging-stock markets, the Nikkei JASDAQ Stock Average moved in a narrow range and ended the term at 3,379yen, and the TSE Mothers Index underwent wide corrections and closed the term at 876.

The average daily turnover on the First Section of the TSE for the first two quarters of fiscal 2019 was 2,413.9 billion yen, down 14.7% from the comparable period of fiscal 2018, that on TSE Mothers was 98.7 billion yen, up 4.7% and that on the JASDAQ Stock Market was 39.7 billion yen, down 33.6%.

In such circumstances, with respect to stocks, the Company placed in its proposals to customers asset-backed stocks with stress on stability and dividends under low interest-rate environments, taking advantage of the Company's strength in research on small-and medium-cap growth stocks. The Company thus continued to take various measures to meet with customers' needs.

With regard to "Dream Collection," a fund wrap account vehicle, it showed a favorable performance as a conservative investment vehicle for customers' medium- to long-term asset management. Its outstanding balance as of September 30, 2019, registered 119.8 billion yen, up 11.9% from September 30, 2018.

With respect to investment trust funds, the Company placed in the center of its promotion customer-needs-matching funds, such as an investment fund investing in Japanese diversified small- and medium-cap growth stocks, one investing in high-yielding stocks in the world, REIT and one investing in domestic and foreign small and medium-cap stocks and privately-place funds targeted for regional financial institutions.

With respect to Ichiyoshi Asset Management Co. Ltd. the amount of assets under its management declined 18.2% to 345.0 billion yen as of September 30, 2019 chiefly as net asset values of funds under management fell.

As a result of these activities, net operating revenue for the first two quarters of fiscal 2019 amounted to 8,616 million, down 20.8% from the first two quarters of fiscal 2018. Operating cost and expenses amounted to 9,000 million yen, down 0.5%. Hence, operating income registered a loss of 384 million yen.

Set forth below are revenue sources, cost and expenses and financial condition.

i. Commissions

Total commissions for the first two quarters of fiscal 2019 amounted to 8,418 million yen, down 20.5 % from the year-earlier period.

(a) Brokerage commissions

Total brokerage commissions on stocks fell 41.1% to 2,398 million yen. Brokerage commissions on small- and medium-sized stocks (stocks listed on Second Section of the TSE, JASDAQ and TSE Mothers) registered 478 million yen, down 41.2%, and accounted for 20.0% of total brokerage commissions on stocks.

(b) Commissions from underwriting and solicitation to specified investors

In the primary market, the Company participated in 11 initial public offerings on a management and underwriting basis (of which one was lead-managed by the Company) as against 15 participations in the year-earlier period. In the secondary market (which deals with financing by already-listed stocks), the Company participated in 2 deals on a management and underwriting basis as against 3 deals in the year-earlier period.

As a result, commissions from underwriting and solicitation to specified investors amounted to 135 million yen, up 242.4% from the comparable period of fiscal 2018.

The cumulative number of companies whose offerings were lead- or co-managed by the Company stood at 1,094 (of which 54 were lead-managed) as of September 30, 2019.

(c) Commissions from distribution and solicitation to specified investors

As commissions from distribution of investment trust funds recorded 2,059 million yen, down 11.7% from the year-earlier period, total commissions from distribution and solicitation to specified investors registered 2,097 million yen, down 12.8%.

(d) Commissions from other sources

Trailer fees fell 12.2% to 1,920 million yen. Management fees on investment trust funds managed by Ichiyoshi Asset Management recorded 725 million yen, down 6.8%. Fees from fund wrap accounts registered 726 million yen, up 24.1%. Adding these fees to fees from research unbundling, commissions from insurance policy sales and fees from IPO assistance, total commissions from other sources amounted to 3,710 million yen, down 6.8%.

ii. Gains or loss on trading

Trading in stocks, etc. recorded a loss of 4 million yen. Trading in bonds and foreign exchange, etc. registered net gains of 30 million yen, down 30.5%. As a result, total net gains on trading amounted to 25 million yen, down 55.5%.

iii. Interest and dividend income

Interest and dividend income declined 8.1% to 165 million yen, chiefly due to a fall in loans on margin transactions. Interest expenses rose 197.4% to 75 million yen. As a result, net interest and dividend income recorded 90 million yen, down 41.7%.

Resultantly, net operating revenue for the first two quarters of fiscal 2019 stood at 8,616 million yen, down 20.8% from the year-earlier period.

iv. Operating cost and expenses

Operating cost and expenses amounted to 9,000 million yen, down 0.5%, as one-off expenses related to office relocations (of head office and branches) rose while personnel-related expenses decreased.

v. Non-operating income and expenses

The Company recorded non-operating income of 67 million yen, including 25 million yen in the form of insurance proceeds and dividends, and non-operating expenses of 85 million yen, including 80 million yen provided for allowance for doubtful accounts. As a result, net non-operating income and expenses registered a loss of 17 million yen.

Resultantly, current income for the first two quarters of fiscal 2019 amounted to a loss of 401 million yen.

vi Extraordinary income and loss

The Company registered extraordinary income of 2 million yen mainly as gains on reversal of subscription rights to shares.

Resultantly, income before taxes and tax adjustments for the first two quarters of fiscal 2019 registered a loss of 399 million yen, and net income attributable to owners of parent (after deduction of corporate income taxes, resident's taxes and enterprise taxes in the aggregate amount of 191 million yen less corporate tax adjustments in the amount of 122 million yen) recorded a net loss of 479 million yen.

Customers' assets under custody as of September 30, 2019 amounted to 1,796.3 billion yen, up 0.2% from March 31, 2019.

(2) Outline on Financial Condition for First Two Quarters of Fiscal 2019

(a) Assets

Assets amounted to 52,576 million yen as of September 30, 2019, an increase of 4,031 million yen (up 8.3%) from March 31, 2019, mainly as cash and deposits swelled by 6,733 million yen and tangible assets rose by 568 million yen as a result of relocations of the head office and branch offices while margin transaction assets fell by 4,168 million yen.

(b) Liabilities

Liabilities stood at 19,457 million yen as of September 30, 2019, a rise of 5,631 million yen (up 40.7%) as margin transaction assets increased by 3,045 million yen and cash payable to customers swelled by 2,233 million yen.

(c) Net worth

Net worth amounted to 33,118 million yen as of September 30, 2019, a fall of 1,599 million yen (down 4.6%) from March 31, 2019. The increase resulted mainly from recording of a net loss (attributable to owners of parent) of 479 million yen for the first two quarters while the Company paid dividends in the amount of 710 million yen and acquired treasury shares in the amount of 387 million yen.

II. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of March 31 2019	As of September 30 2019
Assets		
Current assets		
Cash and deposits	15,071	21,805
Cash segregated as deposits	6,223	5,719
Trading products	166	185
Trading securities and other	166	185
Margin transaction assets	15,841	11,672
Loans on margin transactions	15,471	11,074
Cash collateral pledged for securities borrowing on margin transactions	370	598
Loans secured by securities	6	-
Cash collateral pledged for securities borrowed	6	-
Advances paid	34	219
Cash paid for offering	2,296	4,198
Accounts for non-delivered securities and others	6	-
Short-term loans receivable	8	0
Income taxes receivable	992	0
Accrued income	1,722	1,795
Other current assets	341	168
Allowance for doubtful accounts	△3	△3
Total current assets	42,709	45,763
Non-current assets		
Property, plant and equipment	2,691	3,260
Buildings, net	755	1,101
Equipment	581	807
Land	1,339	1,339
Leased assets, net	15	12
Intangible assets	487	499
Software	485	496
Other	2	2
Investments and other assets	2,655	3,053
Investment securities	1,200	1,202
Long-term loans receivable	36	32
Long-term guarantee deposits	1,016	1,283
Retirement benefit asset	108	122
Deferred tax assets	286	406
Other	17	95
Allowance for doubtful accounts	△9	△89
Total non-current assets	5,835	6,813
Total assets	48,544	52,576
Liabilities		
Current liabilities		
Trading products	0	0
Derivatives	0	0
Trade date accrual	0	20
Margin transaction liabilities	2,973	6,018
Borrowings on margin transactions	2,441	5,191
Cash received for securities lending on margin transactions	531	826
Borrowings secured by securities	599	70
Cash received on debt credit transaction of securities	599	70
Deposits received	6,592	8,825
Guarantee deposits received	1,024	1,112
Short-term borrowings	210	210
Lease obligations	4	4
Income taxes payable	228	228
Provision for bonuses	632	678
Other current liabilities	1,117	1,891
Total current liabilities	13,383	19,061
Non-current liabilities		
Long-term borrowings	184	150
Lease obligations	10	8
Deferred tax liabilities for land revaluation	7	7
Other noncurrent liabilities	27	18
Total non-current liabilities	230	184
Reserves under special laws		
Reserve for financial instruments transaction liabilities	211	211
Total reserves under special laws	211	211
Total liabilities	13,825	19,457
Net assets		
Shareholders' equity		
Share capital	14,577	14,577
Capital surplus	8,669	6,926
Retained earnings	14,726	13,536
Treasury shares	△2,342	△988
Total shareholders' equity	35,631	34,052
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	△0
Revaluation reserve for land	△1,125	△1,125
Remeasurements of defined benefit plans	79	65
Total accumulated other comprehensive income	△1,044	△1,060
Share acquisition rights	78	78
Non-controlling interests	52	48
Total net assets	34,718	33,118
Total liabilities and net assets	48,544	52,576

(2) Quarterly Consolidated Income Statements and Quarterly Comprehensive Income Statements
Quarterly Consolidated Income Statements

(in millions of yen)

	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Operating revenue		
Commission received	10,592	8,418
Net trading income	57	25
Financial revenue	180	165
Other operating revenue	752	830
Total operating revenue	11,582	9,439
Financial expenses	25	75
Other operating expenses	671	747
Net operating revenue	10,886	8,616
Selling, general and administrative expenses		
Trading related expenses	867	962
Personnel expenses	5,162	4,804
Real estate expenses	1,074	1,343
Office cost	1,177	1,137
Depreciation	243	274
Taxes and dues	159	132
Other	365	346
Total selling, general and administrative expenses	9,050	9,000
Operating profit (loss)	1,836	△384
Non-operating income		
Dividends from investment securities	17	14
Gain on investments in investment partnerships	9	5
Insurance claim and dividend income	118	25
Other	9	21
Total non-operating income	155	67
Non-operating expenses		
Loss on investments in investment partnerships	2	4
Loss on cancellation of leases	2	0
Provision of allowance for doubtful accounts	-	80
Other	0	0
Total non-operating expenses	5	85
Ordinary profit (loss)	1,986	△401
Extraordinary income		
Gain on sales of investment securities	47	1
Gain on sales of non-current assets	1	-
Gain on reversal of share acquisition rights	4	1
Total extraordinary income	52	3
Extraordinary losses		
Loss on retirement of non-current assets	7	0
Loss on valuation of investment securities	0	-
Loss on valuation of golf club membership	4	-
Total extraordinary losses	12	0
Profit (loss) before income taxes	2,026	△399
Income taxes - current	543	191
Income taxes - deferred	151	△122
Total income taxes	695	69
Profit (loss)	1,331	△468
Profit attributable to non-controlling interests	13	10
Profit (loss) attributable to owners of parent	1,317	△479

Quarterly Consolidated Comprehensive Income Statements

(in millions of yen)

	Fiscal year ended September 30,2018	Fiscal year ended September 30,2019
Profit (loss)	1,331	△468
Other comprehensive income		
Valuation difference on available-for-sale securities	△62	△1
Remeasurements of defined benefit plans, net of tax	△12	△13
Total other comprehensive income	△75	△15
Comprehensive income	1,255	△484
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,242	△495
Comprehensive income attributable to non-controlling interests	13	10

(3) Notes to Quarterly Consolidated Financial Statements

(Notes concerning premises for continuing business enterprise)

None.

(Notes in the event of material changes in shareholders' equity)

None.

(Application of accounting principles unique to the preparation of quarterly financial statements)

None.

(Changes to accounting policies and changes/restatements of accounting estimates)

None.

. Supplementary Information For First Two Quarter of Fiscal 2019

1. Commissions

(1) Commissions by sources

(in millions of yen)

	-- First Two quarters of -- Fiscal 2018(a)	Fiscal 2019(b)	Change (%) (b) over (a)	Fiscal year ended March 31, 2019
Brokerage commissions	4,167	2,475	-40.6	7,226
(Stocks)	(4,069)	(2,398)	(-41.1)	(7,020)
(Beneficiary certificates)	(97)	(77)	(-21.2)	(205)
Commissions from underwriting and solicitation to specified investors	39	135	242.4	266
(Stocks)	(39)	(135)	(242.4)	(266)
Commissions from distribution and solicitation to specified investors	2,403	2,097	-12.8	4,026
(Beneficiary certificates)	(2,331)	(2,059)	(-11.7)	(3,881)
Commissions from other Sources	3,981	3,710	-6.8	7,686
(Beneficiary certificates*)	(3,551)	(3,371)	(-5.1)	(6,884)
Total	10,592	8,418	-20.5	19,205

*Breakdown of (Beneficiary certificates)

(in millions of yen)

	-- First Two quarters of -- Fiscal 2018(a)	Fiscal 2019(b)	Change (%) (b) over (a)	Fiscal year ended March 31, 2019
Trailer fees relating to balances of funds	2,188	1,920	-12.2	4,138
Trustee fees for fund Management	777	725	-6.8	1,527
Fees from wrap-accounts	585	726	24.1	1,218
Total	3,551	3,371	-5.1	6,884

(2) Commissions by instruments

(in millions of yen)

	-- First Two quarters of -- Fiscal 2018(a)	Fiscal 2019(b)	Change (%) (b) over (a)	Fiscal year ended March 31, 2019
Stocks	4,125	2,547	-38.3	7,318
Bonds	72	37	-48.1	145
Beneficiary certificates	5,980	5,507	-7.9	10,970
Others	414	325	-21.5	771
Total	10,592	8,418	-20.5	19,205

2. Gains or loss on trading

(in millions of yen)

	-- First Two quarters of -- Fiscal 2018(a)	Fiscal 2019(b)	Change (%) (b) over (a)	Fiscal year ended March 31, 2019

Stocks, etc.	13	-4	--	19
Bonds, foreign exchange, etc.	43	30	-30.5	106
(Bonds, etc.)	(25)	(14)	(-44.1)	(49)
(Foreign exchange, etc.)	(18)	(16)	(-11.1)	(57)

Total	57	25	-55.5	125

3 . Quarterly Consolidated Income Statements for Recent Six Quarters

(in millions of yen)

	1st Q (4-6/'18)	2nd Q (7-9/'18)	3rd Q 10-12/'18)	4th Q (1-3/'19)	1st Q (4-6/'19)	2nd Q (7-9/'19)
Operating revenue	5,932	5,650	5,334	4,309	4,618	4,820
Commission received	5,389	5,202	4,843	3,769	4,124	4,293
Net trading income	32	25	29	39	9	16
Financial revenue	91	88	84	71	77	88
Other operating revenue	418	334	377	429	407	422
Financial expenses	13	11	11	12	23	51
Other operating expenses	367	303	348	388	374	373
Net operating revenue	5,551	5,335	4,974	3,908	4,220	4,396
Selling, general and administrative expenses	4,568	4,481	4,504	4,158	4,459	4,541
Trading related expenses	460	406	512	449	466	496
Personnel expenses	2,615	2,546	2,447	2,206	2,427	2,376
Real estate expenses	530	544	572	555	615	727
Office cost	582	595	602	579	551	586
Depreciation	117	126	137	142	146	128
Taxes and dues	73	85	70	61	62	70
Provision of allowance for doubtful accounts	—	—	—	—	—	—
Other	188	177	162	164	190	155
Operating profit	982	853	469	249	239	145
Non-operating income	86	69	16	22	21	46
Non-operating expenses	2	3	1	5	0	85
Ordinary profit	1,067	919	484	232	218	183
Extraordinary income	31	20	231	0	0	3
Extraordinary losses	11	1	4	3	0	0
Profit before income taxes	1,087	939	711	235	218	180
Income taxes - current	98	444	51	45	90	100
Income taxes - deferred	341	189	226	112	120	1
Profit	647	683	537	168	188	279
Profit attributable to non-controlling interests	6	7	6	5	5	5
Profit attributable to owners of parent	641	676	531	174	194	285

(END)